

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 /057 W

-----043845 030714Z /11

R 022006Z DEC 77

FM AMEMBASSY MADRID

TO SECSTATE WASHDC 2727

INFO AMEMBASSY LISBON

AMEMBASSY PARIS

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USOECN ALSO FOR EMBASSY

E.O. 11652 N.A.

TAGS: PINT, ELAB, EFIN, SP

SUBJECT: BUSINESSMEN SPEAK OUT

1. SUMMARY: A RALLY OF OVER 12,000 CATALAN BUSINESSMEN MET IN BARCELONA NOVEMBER 29 TO DENOUNCE MONCLOA PACT, CRITICIZE LACK OF AUTHORITY OF SUAREZ GOVT, OBJECT TO ALLEGED GOVERNMENT INEFFECTIVENESS IN DEALING WITH LABOR PROBLEMS, SCORE UNNECESSARILY LARGE SOCIAL SECURITY PAYMENTS, AND COMPLAIN THAT UCD IS ADOPTING LEFT-WING POLICIES. CARLOS FERRER SELAT, PRESIDENT OF THE PRESTIGIOUS CEOE (SPANISH CONFEDERATION OF EMPLOYERS' ORGANIZATION), ONE OF MAIN SPEAKERS AT THE RALLY, TOLD US DECEMBER 1 THAT HE EXPECTED TO SEE PRIME MINISTER SUAREZ TODAY TO ARGUE STRONGLY FOR MODIFICATION OF GOVERNMENT'S PROGRAM IN ORDER TO MEET THE NEEDS OF SPANISH BUSINESS. IT IS DOUBTFUL, HOWEVER, THAT GOVERNMENT WILL BE WILLING TO MAKE ANY

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MODIFICATIONS IN THE ECONOMIC MEASURES AGREED TO BY ALL THE MAJOR POLITICAL PARTIES AT THE MONCLOA PALACE ONLY A MONTH AGO. END SUMMARY.

2. MEETING WAS ORGANIZED UNDER THE AUSPICES OF THE FOMENTO DE TRABAJO, AN EMPLOYER GROUP ALLIED WITH THE CEOE. FACT THAT TURNOUT WAS SO LARGE REFLECTS

STRONG DISCONTENT WITHIN BUSINESS COMMUNITY AT CURRENT ECONOMIC CONDITIONS, PARTICULARLY THE CREDIT SQUEEZE WHICH IS NOW PINCHING VERY TIGHTLY. MONCLOA PACT WAS CRITICIZED SEVERELY BY ALL THE SPEAKERS AT THE RALLY, INCLUDING FERRER, IN VERY FORCEFUL LANGUAGE AND FERRER TOLD THE GROUP THAT THE PACT COULD NOT REALLY BE CONSIDERED FINAL SINCE THE BUSINESS COMMUNITY HAD NOT BEEN CONSULTED ABOUT IT.

3. THE PACT, HOWEVER, WAS ONLY ONE OF MANY ISSUES RAISED. A MAJOR SUBJECT OF DISCUSSION WAS THE LABOR SITUATION, WITH SPEAKERS CALLING FOR A LIMITATION ON WORKERS ABILITY TO STRIKE, QUICK ACTION ON THE WORKERS REPRESENTATION ISSUE (I.E. PLANT ELECTIONS), MANAGEMENT CONTROL OVER THE SIZE OF THE WORK-FORCE (THE RIGHT TO FIRE), DECREASED ABSENTEEISM AND INCREASED PRODUCTIVITY (CALLED THE WORST IN EUROPE BY ONE SPEAKER). THE PRESENT SOCIAL SECURITY SYSTEM WAS DESCRIBED AS A "MONSTER EATING US ALIVE" BY ANOTHER SPEAKER. IN ADDITION TO BEING DEPICTED AS INDECISIVE, THE SUAREZ GOVERNMENT WAS CRITICIZED FOR BEING AT LEAST AS SOCIALIST AS THE SOCIALISTS.

4. THE EXCITEMENT GENERATED BY THE MEETING LED TO A THREAT, WHICH WE THINK IS UNLIKELY OF EXECUTION, THAT CATALAN BUSINESSMEN WILL GO ON STRIKE BY REFUSING LIMITED OFFICIAL USE

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TO PAY TAXES AND SOCIAL SECURITY CONTRIBUTIONS IF THE GOVERNMENT FAILS TO RESPOND TO BUSINESS GRIEVANCES BY DECEMBER 15. THE TWO MAJOR ORGANIZERS OF THE MEETING, CEOE PRESIDENT CARLOS FERRER SALAT AND CEOE EXECUTIVE COMMITTEE MEMBER ALFREDO MOLINAS, WERE EMPOWERED TO ACT AS SPOKESMEN FOR THE GROUP IN FURTHER DISCUSSIONS WITH THE GOVERNMENT.

5. ONE OF THE MEETING SPEAKERS INFORMED CONGEN BARCELONA FOLLOWING THE RALLY THAT A GROUP OF VOCIFEROUS SMALLER BUSINESSMEN USED THE PODIUM AS A PLATFORM FOR EXTREME STATEMENTS; BUT THAT NEVERTHELESS THE GROUP AS A WHOLE IS DETERMINED TO MAKE THE GOVERNMENT, WHICH IT CONSIDERS INDIFFERENT TO THE BUSINESSMAN'S PLIGHT, SIT UP AND LISTEN. CEOE PRESIDENT FERRER SALAT INFORMED EMBOFF DECEMBER 1 THAT HE EXPECTED TO MEET WITH PRIME MINISTER SUAREZ DECEMBER 2 AND WOULD ARGUE STRONGLY FOR MODIFICATIONS IN THE GOVERNMENT'S PROGRAM TO MEET THE GROWING CONCERNS OF BUSINESS. IN ORDER OF IMPORTANCE, HE SAID, BUSINESSMEN WANT GREATER FLEXIBILITY IN THE RIGHT TO FIRE AND CLEARER REGULATION ON THE RIGHT TO STRIKE, MODIFICATIONS IN FISCAL REFORM,

AND SOME RELAXATION OF THE GOVERNMENT'S RESTRICTIVE MONETARY GOALS. BECAUSE OF A "COMPLEX OF APPEARING TO BE FRANCOISTS", HE BELIEVES THE PRESENT GOVERNMENT IS ACTING MORE SOCIALIST THAN THE PSOE WHICH, HE CLAIMS, PRIVATELY AGREES THERE SHOULD BE MORE FLEXIBILITY IN LABOR FORCE ADJUSTMENT COMBINED WITH BETTER UNEMPLOYMENT COMPENSATION, BUT CANNOT SAY SO PUBLICLY. FERRER SALAT ADMITTED THAT THE GOVERNMENT HAD CONSULTED WITH BUSINESSMEN PRIOR TO THE MONCLOA PACT, BUT COMPLAINED THAT IT HAD THEN MOSTLY IGNORED THEIR VIEWS.

6. COMMENT. WITH ALL POLITICAL PARTIES HAVING SIGNED ON TO THE MONCLOA PACT, IT SEEMS UNLIKELY THAT THE GOVERNMENT WILL MAKE ANY SIGNIFICANT MODIFICATIONS IN LIMITED OFFICIAL USE

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ITS ECONOMIC PROGRAM. BUSINESSMEN WOULD NATURALLY LIKE THE BEST OF BOTH THE FRANCO SYSTEM (CHEAP CREDIT, QUIET

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LABOR) AND THE FREE MARKET (FREEDOM TO FIRE), AND
DECLINE TO SEE ANY INCONSISTENCY IN THEIR STAND. SOME
OF THEIR DEMANDS, MOREOVER, RUN AGAINST THE BASIC

RATIONALE BEHIND THE ECONOMIC RECOVERY PLAN. FOR
EXAMPLE, THE GOVERNMENT AUTHORS OF THE PLAN ARE
PERFECTLY AWARE THAT THE MONETARY GOALS, AND CONSEQUENT
TIGHT CREDIT, WILL SQUEEZE INEFFICIENT AND UNDER-
CAPITALIZED FIRMS (MAINLY SMALL). THEY REGARD THIS
PRESSURE AS AN ESSENTIAL ELEMENT IN RATIONALIZING THE
SPANISH ECONOMY, RESTORING COMPETITIVENESS, AND REDUCING
THE TRADE DEFICIT. NEVERTHELESS, BUSINESS PROTESTS
WILL CONTINUE, AND PERHAPS INCREASE, DURING THE DIFFICULT
WINTER AHEAD.

7. WITH RESPECT TO CEOE CHARGES THAT THE GOVERNMENT
IS TOO "SOCIALIST-INCLINED", IT IS NO SECRET THAT THE
EMPLOYERS ORGANIZATION BELIEVES THAT A CLARIFICATION OF
POLITICAL IDENTITIES IS IN ORDER - ESPECIALLY ON THE
PART OF SUAREZ' UCD. FERRER RECENTLY TOLD THE AMBASSADOR
THAT THE UCD SHOULD STOP FLIRTING WITH LEFT-CENTER
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PRINCIPLES AND COME OUT AS A CLEARLY CENTER/CENTER-RIGHT
PARTY IN THE MOLD OF TRADITIONAL EUROPEAN CONSERVATIVE
PARTIES. HE FURTHER NOTED THAT MANY UCD VOTERS FELT
"BETRAYED" BY WHAT HE PERCEIVED AS UCD ATTEMPTS TO GIVE
ITSELF A CENTER-LEFT COLORATION. STABLER

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